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September 18, 2002

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**VIA COURIER**

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Marlene H. Dortch, Secretary  
Federal Communications Commission  
The Portals  
445 12th Street, S.W.  
Washington, D.C. 20554

**Re: Notice of *Ex Parte* Ruling in** CC Docket No. 99-68, CC Docket No. 96-98, and  
WL Docket No. 02-202

Dear Ms. Dortch:

Pursuant to Section 1.120(b)(2) of the Commission Rules, this letter is to provide notice in the above-captioned proceedings of an *ex parte* meeting. On September 17, 2002, John Sumpter (Vice President-Regulatory of Pac-West Telecomm, Inc.) and the undersigned met with William Maher, Jeffrey Carlisle, Carol Matthey, and Jane Jackson of the Wireline Competition Bureau.

At the meeting, we discussed the structure of the Pac-West network and the negative impact on network development and deployment of the Commission's interim compensation structure for intercarrier compensation for ISP-bound traffic. As a result of that compensation structure, Pac-West exited markets it had entered shortly before the imposition of the compensation structure and did not expand into new markets. Given the anticompetitive impact of the interim compensation structure, the substantially changed circumstances in the competitive industry since the adoption of the Order and the significant reduction in the compensation level as a result of the Order, Pac-West urged that the Commission act on pending motions for reconsideration and remove the new market and growth cap provisions of its intercarrier compensation Order for ISP-bound traffic.

We also discussed the impact of the proposed revisions to security deposit policy contained in the Verizon Petition for Emergency Declaratory and Other Relief. While Pac-West's 20-year history of timely payments means that, under existing tariffs, it is not required to

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provide a security deposit, under proposed changes, the rating of its bonds would result in the ability of Verizon and SBC to impose deposit requirements. Such requirements result in unjustified diversion of working capital from capital-constrained competitive carriers. Existing requirements provide ILECs with adequate protection against nonpaying customers. The proposed changes are particularly inappropriate given the fact that both Verizon's and SBC's billing systems contain systemic flaws resulting in millions of dollars of charges being billed to Pac-West, which require constant monitoring of the bills and prolonged dispute resolution efforts. Moreover, Verizon's and SBC's late payment of amounts owed to Pac-West has a significantly greater impact on Pac-West than any late payment by Pac-West on them.

Pursuant to Section 1.1206(a)(i) of the Commission's Rules, an original and one copy for each docket of this letter are being submitted to the Secretary for filing in the above-referenced proceeding.

Sincerely,



Richard M. Rindler

RMR/kas

cc: William Maher  
Jeffrey Carlisle  
Carol Matthey  
Jane Jackson